

THE ARC OF CADDO-BOSSIER
SHREVEPORT, LOUISIANA
JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-23-05

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-11

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information	12
Consolidated Change in Net Assets by Division	13

OTHER REPORTS

Report and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Schedule of Findings and Questioned Costs	15
Schedule of Prior Year Findings	16
Management's Corrective Action Plan	17

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

September 9, 2005

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Arc of Caddo-Bossier at June 30, 2005, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Arc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Arc's 2004 financial statements and, in our report dated September 17, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of Caddo-Bossier at June 30, 2005, and the consolidated changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2005, 2005 on our consideration of the Arc's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy + Vestal, LLP

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • BOSSIER CITY
WEST MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2005

<u>A S S E T S</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Restricted and Designated</u>
Cash and cash equivalents	945,540	86,253
Investments-Notes 9 and 10	2,601,799	2,013,065
Accounts receivable-Notes 4 and 12	1,766,585	-
Prepaid expenses and other assets	61,633	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,375,557</u>	<u>2,099,318</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	146,583	-
Accrued payroll and bonus	284,033	-
Accrued expenses	22,291	-
Line of credit and borrowings-Note 10	-	-
Total liabilities	452,907	-
<u>Net assets-Note 3</u>	<u>4,922,650</u>	<u>2,099,318</u>
Total liabilities and net assets	<u>5,375,557</u>	<u>2,099,318</u>

The accompanying notes are an integral part of the financial statements.

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2005	June 30, 2004
-	1,031,793	93,386
-	4,614,864	4,204,967
-	1,766,585	1,812,237
-	61,633	192,598
5,733,358	5,733,358	5,651,072
<u>(3,858,101)</u>	<u>(3,858,101)</u>	<u>(3,573,394)</u>
<u>1,875,257</u>	<u>9,350,132</u>	<u>8,380,866</u>
-	146,583	88,187
-	284,033	312,447
-	22,291	19,895
-	-	12,500
-	452,907	433,029
<u>1,875,257</u>	<u>8,897,225</u>	<u>7,947,837</u>
<u>1,875,257</u>	<u>9,350,132</u>	<u>8,380,866</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted and Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	1,197,186	5,476
Title XIX	8,550,773	-
United Way	88,088	-
Contributions	151,583	1,000
Service fees	403,927	-
Other public support	<u>33,585</u>	<u>-</u>
Total public support	10,425,142	6,476
<u>Revenue:</u>		
Sales revenue	4,004,183	22,928
Membership dues	14,900	-
Investment income-Note 9	399,899	19,116
Other income	<u>43,627</u>	<u>-</u>
Total revenue	<u>4,462,609</u>	<u>42,044</u>
Total public support and revenue	14,887,751	48,520
<u>Expenses:</u>		
Adult services	4,596,292	18,378
Children services	1,055,543	4,605
Residential services	6,616,817	-
Advocacy services	208,485	-
Management and general	<u>1,071,346</u>	<u>130,226</u>
Total expenses	<u>13,548,483</u>	<u>153,209</u>
<u>Change in net assets</u>	1,339,268	(104,689)
<u>Net assets-beginning of year</u>	4,082,909	1,787,250
Transfers	<u>(499,527)</u>	<u>416,757</u>
	<u>3,583,382</u>	<u>2,204,007</u>
<u>Net assets-end of year</u>	<u>4,922,650</u>	<u>2,099,318</u>

The accompanying notes are an integral part of the financial statements.

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2005	June 30, 2004
-	1,202,662	1,695,680
-	8,550,773	7,399,679
-	88,088	97,753
-	152,583	171,063
-	403,927	383,529
-	<u>33,585</u>	<u>18,564</u>
-	10,431,618	9,766,268
-	4,027,111	4,091,793
-	14,900	12,327
-	419,015	691,731
-	<u>43,627</u>	<u>9,845</u>
-	<u>4,504,653</u>	<u>4,805,696</u>
-	14,936,271	14,571,964
145,431	4,760,101	4,900,262
21,394	1,081,542	1,212,690
52,922	6,669,739	5,829,379
512	208,997	107,583
<u>64,932</u>	<u>1,266,504</u>	<u>1,198,173</u>
<u>285,191</u>	<u>13,986,883</u>	<u>13,248,087</u>
(285,191)	949,388	1,323,877
2,077,678	7,947,837	6,623,960
<u>82,770</u>	<u>-</u>	<u>-</u>
<u>2,160,448</u>	<u>7,947,837</u>	<u>6,623,960</u>
<u>1,875,257</u>	<u>8,897,225</u>	<u>7,947,837</u>

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Adult Services</u>	<u>Children Services</u>
Salaries	2,994,837	747,740
Payroll taxes	248,573	60,828
Other employee expenses-Note 8	<u>409,766</u>	<u>69,327</u>
Total salaries and payroll related expenses	3,653,176	877,895
Professional	4,082	25
Insurance	113,001	2,331
Licenses	696	308
Office expense	19,543	3,469
Postage and publication	3,606	18
Telephone	27,372	6,842
Repairs and maintenance	127,997	18,067
Building services	2,522	687
Training	2,087	12,254
Travel and conventions	24,730	13,084
Operating supplies	329,516	43,861
Utilities	81,141	15,468
Rent	17,900	-
Vehicle and equipment lease	56,466	14,107
Property tax	2,019	646
Food	11,252	35,032
Household supplies	15	3,068
Clothing	-	-
Personal necessities	-	-
Medical and therapy	-	-
Transportation and outing	-	-
Consultant fees	1,050	12,273
Interest	-	-
Other	<u>136,499</u>	<u>713</u>
Total other expenses before depreciation	<u>961,494</u>	<u>182,253</u>
Total expenses before depreciation	4,614,670	1,060,148
<u>Depreciation expense</u>	<u>145,431</u>	<u>21,394</u>
<u>Total expenses</u>	<u>4,760,101</u>	<u>1,081,542</u>

The accompanying notes are an integral part of the financial statements.

<u>Residential Services</u>	<u>Advocacy Services</u>	<u>Management and General</u>	<u>Total All Funds (Memorandum Only)</u>	
			<u>June 30, 2005</u>	<u>June 30, 2004</u>
4,655,248	115,202	558,425	9,071,452	8,618,264
400,653	8,714	42,354	761,122	731,316
<u>303,567</u>	<u>28,402</u>	<u>61,775</u>	<u>872,837</u>	<u>711,393</u>
5,359,468	152,318	662,554	10,705,411	10,060,973
3,621	37	134,147	141,912	157,048
57,132	-	72,955	245,419	291,055
264,879	-	264	266,147	227,523
6,595	3,709	113,298	146,614	116,422
19	225	9,239	13,107	22,732
34,568	333	6,925	76,040	74,952
191,529	6,600	50,004	394,197	287,485
2,205	-	20,256	25,670	24,220
720	550	1,906	17,517	27,383
89,628	24,560	19,743	171,745	125,744
36,410	5,235	35,706	450,728	421,723
66,511	623	7,965	171,708	206,962
-	-	-	17,900	16,800
112,627	-	27,018	210,218	196,199
646	-	2,281	5,592	6,293
95,516	-	1,856	143,656	152,646
24,156	-	144	27,383	26,464
14,017	-	-	14,017	4,505
15,895	-	-	15,895	11,904
57,659	-	2,983	60,642	56,466
12,515	-	-	12,515	12,796
134,017	-	28,169	175,509	216,647
-	-	-	-	7,162
<u>36,484</u>	<u>14,295</u>	<u>4,159</u>	<u>192,150</u>	<u>188,348</u>
<u>1,257,349</u>	<u>56,167</u>	<u>539,018</u>	<u>2,996,281</u>	<u>2,879,479</u>
6,616,817	208,485	1,201,572	13,701,692	12,940,452
<u>52,922</u>	<u>512</u>	<u>64,932</u>	<u>285,191</u>	<u>307,635</u>
<u><u>6,669,739</u></u>	<u><u>208,997</u></u>	<u><u>1,266,504</u></u>	<u><u>13,986,883</u></u>	<u><u>13,248,087</u></u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	949,388	1,323,877
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	285,191	307,635
Net realized and unrealized (gains) on investments	(419,015)	(639,997)
Loss on disposal of assets	1,015	-
(Increase) decrease in accounts receivable	45,652	(242,139)
(Increase) decrease in prepaid expenses and other assets	130,965	(1,853)
Increase (decrease) in accounts payable	58,396	(55,448)
Increase (decrease) in payroll liabilities	(28,414)	140,871
Increase in accrued expenses	<u>2,396</u>	<u>19,600</u>
Total adjustments	<u>76,186</u>	<u>(471,331)</u>
Net cash provided by operating activities	1,025,574	852,546
<u>Cash flows from investing activities:</u>		
Change in investments	9,118	(51,282)
Purchase of fixed assets	<u>(83,785)</u>	<u>(183,443)</u>
Net cash (used) by investing activities	(74,667)	(234,725)
<u>Cash flows from financing activities:</u>		
Bank overdraft	-	(63,350)
Proceeds from borrowings and line of credit	-	5,135,000
Payments on borrowings and line of credit	<u>(12,500)</u>	<u>(5,717,667)</u>
Net cash (used) by financing activities	<u>(12,500)</u>	<u>(646,017)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	938,407	(28,196)
<u>Cash and cash equivalents at beginning of year</u>	<u>93,386</u>	<u>121,582</u>
<u>Cash and cash equivalents at end of year</u>	<u>1,031,793</u>	<u>93,386</u>
<u>Supplemental disclosures:</u>		
Interest paid	<u>-</u>	<u>7,162</u>

The accompanying notes are an integral part of the financial statements.

THE ARC OF CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2005

1. Nature of Business.

The Arc of Caddo-Bossier is a not-for-profit public service Association exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX
- c) United Way
- d) Contributions from the general public
- e) Contract work by the handicapped clients for various types of companies

The Arc provides education, shelter, training, and work opportunities for the mentally handicapped of all ages.

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

The Arc has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Unrestricted net assets -Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

Temporarily restricted net assets -Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc and/or by the passage of time. Temporarily restricted net assets are detailed in Note 3.

Permanently restricted net assets -Net assets subject to donor-imposed stipulations that they be maintained permanently by The Arc. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. Permanently restricted net assets are detailed in Note 3.

b) Contributions:

The Arc also has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases

2. Summary of Significant Accounting Policies. (Continued)

in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:

The Arc accounts for investments at fair value in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

e) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Land, Building and Equipment:

Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$3,000 are capitalized.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Consolidation:

The financial statements include the accounts of The Arc; The Arc of Caddo-Bossier Foundation, a not-for-profit corporation formed in 1997; and Greenwood Equestrian Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped children. GREAT merged with The Arc in 2001, with approximate net assets of \$25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

i) Functional Expenses:

Certain functional expenses are allocated based on the relative amount of direct expenses incurred within each division.

2. Summary of Significant Accounting Policies. (Continued)

j) Cash Equivalents:

For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

k) Compensated Absences:

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

l) Trade Receivables from Contract Work:

Trade receivables that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectibility, and has determined that no allowance is necessary at June 30, 2005.

m) Prior Year Financial Information:

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended June 30, 2004, from which the summarized information was derived.

3. Net Assets.

Net assets include restricted and board-designated amounts and activity, summarized as follows:

	<u>2004</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>2005</u>
<u>Permanently Restricted:</u>					
The Arc of Caddo-Bossier Foundation	50,000	-	-	-	50,000

3. Net Assets. (Continued)

	<u>2004</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>2005</u>
<u>Temporarily Restricted:</u>					
The Arc of Caddo-Bossier Foundation	-	-	-	33,037	33,037
Children's Services	4,362	-	4,362	-	-
GREAT	2,678	-	178	-	2,500
Adult Services	7,697	-	7,697	-	-
Repairs and improvements	-	5,476	404	-	5,072
<u>Designated:</u>					
The Arc of Caddo-Bossier Foundation	563,086	20,116	1,270	(33,037)	548,895
Adult Services	66,435	22,928	10,681	-	78,682
Children's Services	8,058	-	243	(7,815)	-
Capital improvements	33,444	-	-	163,811	197,255
Growth	56,490	-	-	132,387	188,877
Worker's compensation	<u>995,000</u>	<u>-</u>	<u>128,374</u>	<u>128,374</u>	<u>995,000</u>
	<u>1,787,250</u>	<u>48,520</u>	<u>153,209</u>	<u>416,757</u>	<u>2,099,318</u>

4. Accounts Receivable.

Accounts receivable due The Arc at year end are as follows:

	<u>2005</u>	<u>2004</u>
Contract work	546,040	593,291
State of Louisiana	141,198	174,180
Title XIX	804,217	823,064
Other	<u>275,130</u>	<u>221,702</u>
Total	<u>1,766,585</u>	<u>1,812,237</u>

Receivables from contract work arise from credit granted to various businesses located in the Shreveport and east Texas area. Receivables from the State of Louisiana arise from funds due The Arc under various grants, and which are unpaid as of the end of the fiscal year.

5. Land, Building and Equipment.

Land, building and equipment is composed of the following:

<u>June 30, 2005</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	2,321,203	1,570,386	750,817
Furniture and equipment	2,249,259	1,779,747	469,512
Vehicles	141,992	113,463	28,529
Improvements	<u>587,692</u>	<u>394,505</u>	<u>193,187</u>
Totals	<u>5,733,358</u>	<u>3,858,101</u>	<u>1,875,257</u>

5. Land, Building and Equipment. (Continued)

<u>June 30, 2004</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	2,321,203	1,510,118	811,085
Furniture and equipment	2,176,651	1,601,854	574,797
Vehicles	141,992	102,989	39,003
Improvements	578,014	358,433	219,581
Totals	<u>5,651,072</u>	<u>3,573,394</u>	<u>2,077,678</u>

6. Commitments.

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2006	222,626
2007	152,849
2008	55,247
2009 and thereafter	-
	<u>430,722</u>

7. Trust Funds.

The Arc is a beneficiary in various testamentary trusts. The terms of these trusts stipulate that the trust assets be invested in perpetuity, and that the annual income only be distributed to the beneficiaries. The Arc received approximately \$16,000 in distributions from these trusts during the year ended June 30, 2005.

8. Other Employee Expenses.

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% employer match for employee contributions up to 2% of employee salary. The Arc's contributions to the plan for the year ended June 30, 2005 were \$36,838. No contributions were made to the plan for the year ended June 30, 2004.

9. Investments.

Investments at June 30, 2005 and 2004, are summarized as follows:

<u>June 30, 2005</u>	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bond funds	1,087,177	1,148,249	61,072
Equity funds	2,794,386	3,397,826	603,440
Money funds	68,789	68,789	-
	<u>3,950,352</u>	<u>4,614,864</u>	<u>664,512</u>

9. Investments. (Continued)

<u>June 30, 2004</u>	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bond funds	1,008,027	1,076,794	68,767
Equity funds	2,697,952	3,088,530	390,578
Money funds	39,643	39,643	-
	<u>3,745,622</u>	<u>4,204,967</u>	<u>459,345</u>

Investment income for 2005 and 2004 consists of the following:

	<u>2005</u>	<u>2004</u>
Interest and dividends	73,951	51,734
Net realized gains (losses)	139,897	226,406
Net unrealized gains	<u>205,167</u>	<u>413,591</u>
	<u>419,015</u>	<u>691,731</u>

10. Line of Credit and Borrowings.

The Arc has a line of credit with a local bank, with a maximum borrowing limit of \$1,000,000. The credit line is secured by an investment brokerage account having an estimated market value of \$4,383,000 at June 30, 2005. Interest is variable, based 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2005.

11. Conditional Promises.

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2005. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$836,000 at June 30, 2005.

12. Related Party Transactions.

In addition to the entities included in the consolidated financial statements, as discussed in Note 1.h), the Arc controls, but has no financial or economic interest in, Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development.

Transactions between all entities related to the Arc for the year ended June 30, 2005 are summarized below:

	<u>The Arc of Caddo-Bossier</u>	<u>The Arc of Caddo-Bossier Foundation</u>	<u>GREAT</u>	<u>Louisiana Disabled Persons Housing Corporation</u>
Due from (to)	219,608	-	(82,403)	(137,205)
Net advances (from) to	(71,913)	-	44,008	27,905

SUPPLEMENTARY INFORMATION

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

September 9, 2005

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements of The Arc of Caddo-Bossier as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. These consolidated financial statements are the responsibility of the management of The Arc of Caddo-Bossier. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of The Arc of Caddo-Bossier taken as a whole. The supplementary information on Page 13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Heard, McElroy + Vestal, LLP

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • BOSSIER CITY
WEST MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

THE ARC OF CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Adult Services</u>	<u>Children Services</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	666,428	276,941
Title XIX	235,864	-
United Way	-	23,268
Contributions	10	8,784
Service fees	99,701	283,534
Other public support	-	<u>32,297</u>
Total public support	1,002,003	624,824
 <u>Revenue:</u>		
Sales revenue	4,019,654	1,954
Membership dues	-	-
Investment income	-	-
Other income	<u>354</u>	<u>3,234</u>
Total revenue	4,020,008	5,188
 Total public support and revenue	5,022,011	630,012
 Total salaries and payroll related expenses	3,653,176	877,895
 Total other expenses before depreciation	<u>961,494</u>	<u>182,253</u>
 Total expenses before depreciation	4,614,670	1,060,148
 Depreciation expense	<u>145,431</u>	<u>21,394</u>
 Total expenses	4,760,101	1,081,542
 Change in net assets	<u>261,910</u>	<u>(451,530)</u>

<u>Residential Services</u>	<u>Advocacy Services</u>	<u>Management and General</u>	<u>Total</u>
259,293	-	-	1,202,662
8,314,909	-	-	8,550,773
-	64,820	-	88,088
15,619	7,871	120,299	152,583
125	-	20,567	403,927
-	<u>1,288</u>	<u>-</u>	<u>33,585</u>
8,589,946	73,979	140,866	10,431,618
-	394	5,109	4,027,111
-	-	14,900	14,900
-	-	419,015	419,015
<u>2,286</u>	<u>-</u>	<u>37,753</u>	<u>43,627</u>
<u>2,286</u>	<u>394</u>	<u>476,777</u>	<u>4,504,653</u>
8,592,232	74,373	617,643	14,936,271
5,359,468	152,318	662,554	10,705,411
<u>1,257,349</u>	<u>56,167</u>	<u>539,018</u>	<u>2,996,281</u>
6,616,817	208,485	1,201,572	13,701,692
<u>52,922</u>	<u>512</u>	<u>64,932</u>	<u>285,191</u>
<u>6,669,739</u>	<u>208,997</u>	<u>1,266,504</u>	<u>13,986,883</u>
<u>1,922,493</u>	<u>(134,624)</u>	<u>(648,861)</u>	<u>949,388</u>

OTHER REPORTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

September 9, 2005

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited the consolidated financial statements of The Arc of Caddo-Bossier, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Arc of Caddo-Bossier's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arc of Caddo-Bossier's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the State of Louisiana, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • BOSSIER CITY
WEST MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Heard, McElroy + Vestal, LLP

THE ARC OF CADDO-BOSSIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Arc of Caddo-Bossier.
2. No material weaknesses relating to the audit of the financial statements are reported; no reportable conditions are reported.
3. No instances of noncompliance material to the financial statements of The Arc of Caddo-Bossier were disclosed during the audit.
4. The Arc of Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC OF CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

No matters were reported in the prior year.

THE ARC OF CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

No matters were reported.